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FISCAL IMPACT STATEMENT

LS 7750

BILL NUMBER: HB 1797

NOTE PREPARED: Feb 28, 2005

BILL AMENDED: Feb 28, 2005

SUBJECT: Guaranteed price option for tuition.

FIRST AUTHOR: Rep. Pond

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Guarantee Price Option:* This bill requires Indiana University, Purdue University, Ball State University, Indiana State University, and the University of Southern Indiana, including their regional campuses and satellite locations, to offer to resident undergraduate students a guaranteed price option under which tuition cannot be increased, with certain exceptions, during four academic years, beginning with the academic year in which the student first enrolls in the institution. It allows the state educational institution to grant the guaranteed price option to nonresident undergraduate students. The bill specifies that the workpapers containing the assumptions, methodology, and computations on which a guaranteed price option is based are public records.

Core Transfer Library: This bill requires the Commission for Higher Education to establish standards for the transfer of courses between state educational institutions.

Fee Setting: It requires state educational institutions granting four year degrees to offer to students a four year baccalaureate degree completion guarantee program. The bill requires all state educational institutions to set tuition and fee rates on a two-year cycle following the adoption of a biennial state budget and a public, on-campus meeting. The bill requires approval of at least two-thirds (2/3) of the institution's trustees for an increase in tuition and fees by more than 4%.

Military Tuition: It also specifies that active duty military personnel stationed in Indiana are eligible for resident tuition rates.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: *Guarantee Price Option:* The bill requires that beginning with the 2006-2007 academic year, state colleges and universities have to offer beginning students a guaranteed price option under which tuition cannot be increased, with certain exceptions, during four academic years, beginning with the academic year in which the student first enrolls in the institution. The present value of the guaranteed option cannot exceed the present value of projected annual tuition costs over the period the guarantee price option applies. The university has to provide the assumptions and methodology that were used in computing the guaranteed price option.

Background Information: For the 2003-2004 academic year, returning Indiana students had a 5% or less increase in tuition. The average increase in tuition for first-time entry Indiana students was 14%. The Indiana nonfarm personal income grew by 4.4% from CY 2003 to CY 2004. It is projected to grow by 4.7% in CY 2005 and 4.9% in CY 2006.

Core Transfer Library: The Commission for Higher Education has to establish a statewide core transfer library of at least 70 courses that have transfer equivalents on all campuses. The Commission also has to establish at least 12 degree programs for which articulation agreements apply to any Ivy Tech State College campus and Vincennes University. The library and degree programs can be probably developed with the Commission's current budget.

(Revised) Fee Setting: The bill requires universities to set tuition and fee rates on a two-year cycle following the adoption of a biennial state budget and a public, on-campus meeting. The bill may require universities to do longer planning than they currently do. The impact would depend on the fees set by the universities in the second year. If the university sets the rates to low then they might have to reduce expenditures and if they are set the fees too high then they might have trouble attracting students.

The bill also would require at least a two-thirds (2/3) majority vote the institution's board of trustees to increase tuition and fees by more than 4%. The approval would also need to be reviewed by the Budget Committee or the Legislative Council. The impact would depend on the tuition and fee increases proposed by the university. The bill may make tuition increases greater than 4% more difficult. Over the last couple of years, there has been tuition increases greater than 4% in 2004 (4.4%), 2005 (4.7%), and in 2006 (4.9%).

Military Tuition: Military personnel stationed in Indiana would be able to pay the resident tuition and fees instead of the out-of-state fees. The provision would reduce the amount of tuition the university receives for these students but the overall impact on universities is probably minor.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Universities; Commission for Higher Education.

Local Agencies Affected:

Information Sources: *Postsecondary Education Tuition and Required Fees in Indiana:2003-04* by the Indiana Commission for Higher Education; Economic Forecast Committee, December 14, 2004, Forecast.

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